

Message Text

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ACTION NEA-10

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
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INFO USLO PEKING
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E.O. 11652: N/A
TAGS: ETRD, PK, C
SUBJECT: NEW TRADE PROTOCOL WITH CHINA SIGNED

1. A NEW TRADE PROTOCOL BETWEEN CHINA AND PAKISTAN FOR AN EXCHANGE OF GOODS WORTH \$24 MILLION EACH WAY WAS SIGNED IN PEKING LAST MONTH AFTER ZIA'S VISIT (PEKING 2985). THE AGREEMENT COVERS THE SAME GOODS AS THE PREVIOUS AGREEMENT. ALTHOUGH WE HAVE NOT SEEN THE TEXT PRESS REPORTS SAY PAKISTAN WILL EXPORT RAW COTTON, COTTON YARN, TEXTILES AND LEATHER AND LEATHER GOODS TO CHINA AND WILL RECEIVE STEEL BILLETS, TOOLS AND WORKSHOP EQUIPMENT, COKE AND COAL, MACHINERY AND MILLWORK INCLUDING TEXTILE MACHINERY, POWER TILLERS, RICE PLANTERS, GRID STATION EQUIPMENT, HOSPITAL AND LABORATORY EQUIPMENT, TELECOMMUNICATION EQUIPMENT, CONSTRUCTION MACHINERY, TILES, SANITARY WARES, SHEET AND PLATE GLASS, GLASSWARE, EARTHENWARE, CHINA AND PORCELAIN IN RETURN.

2. THE PROTOCOLS BETWEEN CHINA AND PAKISTAN COVER ONLY ABOUT HALF OF TRADE BETWEEN THE TWO COUNTRIES. DURING THE 76-77 PAKISTAN FISCAL YEAR TWO-WAY TRADE AMOUNTED TO \$61,925,000 WHILE THE PROTOCOL THEN IN EFFECT WAS FOR ONLY \$32 MILLION. WHILE CHINA
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CONFINES ITS IMPORTS ALMOST ENTIRELY TO THE PROTOCOLS, PAKISTAN BUYS SUBSTANTIAL AMOUNTS FOR CASH.

3. MR. AITEZAZUDDIN AHMED, JT. SECRETARY FOR TRADE MINISTRY OF COMMERCE, CONFIRMED THE ACCURACY AND GENERAL COMPLETENESS OF THE PRESS REPORTS. HE SAID PROTOCOLS WITH CHINA HAVE ALWAYS GONE WELL. CHINA HAS BEEN EXTREMELY UNDERSTANDING WHEN CIRCUMSTANCES

PREVENTED PAKISTAN FROM COMPLETING THE ORIGINAL PROTOCOL AS SIGNED. THE LAST PROTOCOL WITH CHINA TOOK TWO AND A HALF YEARS RATHER THAN THE PLANNED ONE YEAR TO COMPLETE BECAUSE OF THE MASSIVE COTTON CROP FAILURES WHICH HAVE PLAGUED PAKISTAN IN RECENT YEARS. ACCORDING TO AHMED CHINA WAITED UNTIL COTTON WAS AVAILABLE FOR EXPORT TO COMPLETE THE PROTOCOL, UNLIKE THE USSR AND EASTERN EUROPEAN COUNTRIES WHICH DEMANDED THEIR "POUND OF FLESH" IN SUBSTITUTE GOODS. THE QUALITY OF GOODS CHINA EXCHANGES UNDER THESE BARTER AGREEMENTS HAS ALSO BEEN CONSISTENTLY HIGH. MR. AHMED NOTED THAT THE USSR AND BLOC COUNTRIES HAVE FOISTED OFF INFERIOR GOODS ON NUMEROUS OCCASIONS UNDER BARTER AGREEMENTS. BOTH AHMED AND MR. RIAZ KHAN, CHINA AFFAIRS OFFICER, MINISTRY OF FOREIGN AFFAIRS TELL US THAT THE AGREEMENT IS OF MORE POLITICAL THAN ECONOMIC SIGNIFICANCE.
HUMMEL

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